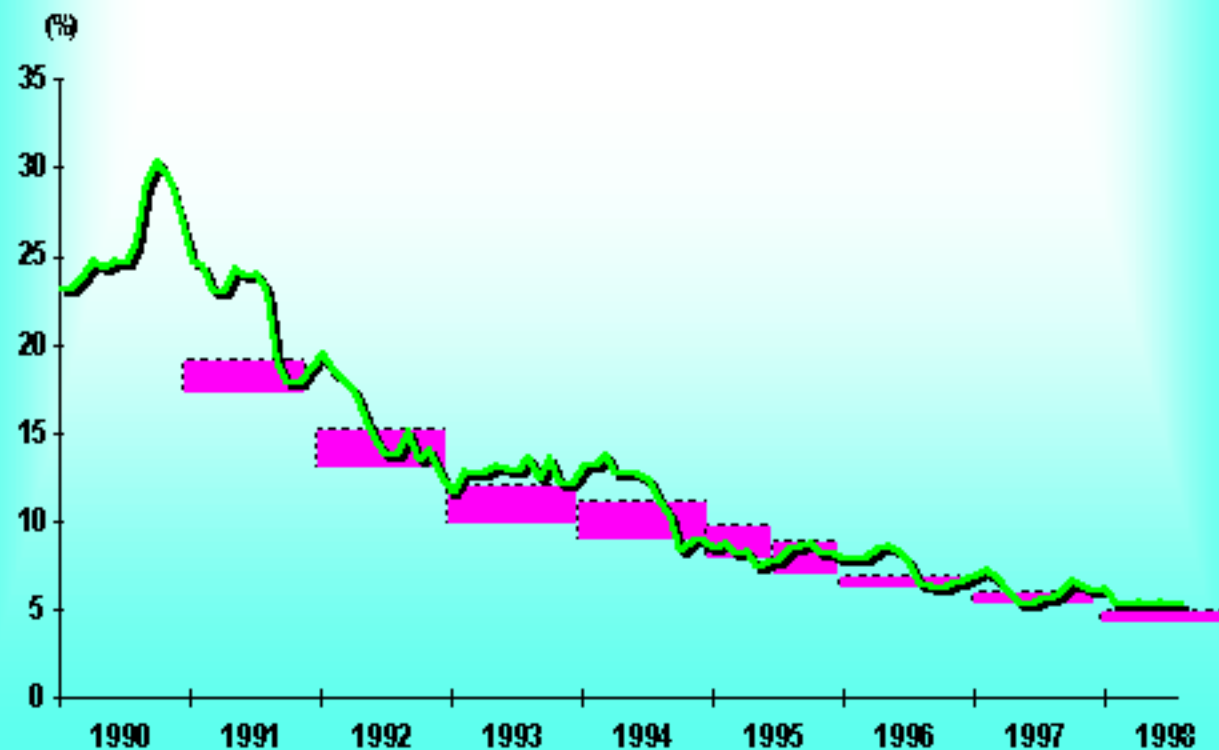


THE CHILEAN ECONOMY: STRENGTHS AND PERSPECTIVES

CARLOS MASSAD
Governor of the Central Bank of Chile

October 1998

Figure 1: Inflation and Inflation Targets



**Figure 2. The Pillars of Chilean
Macroeconomic and Financial Stability**

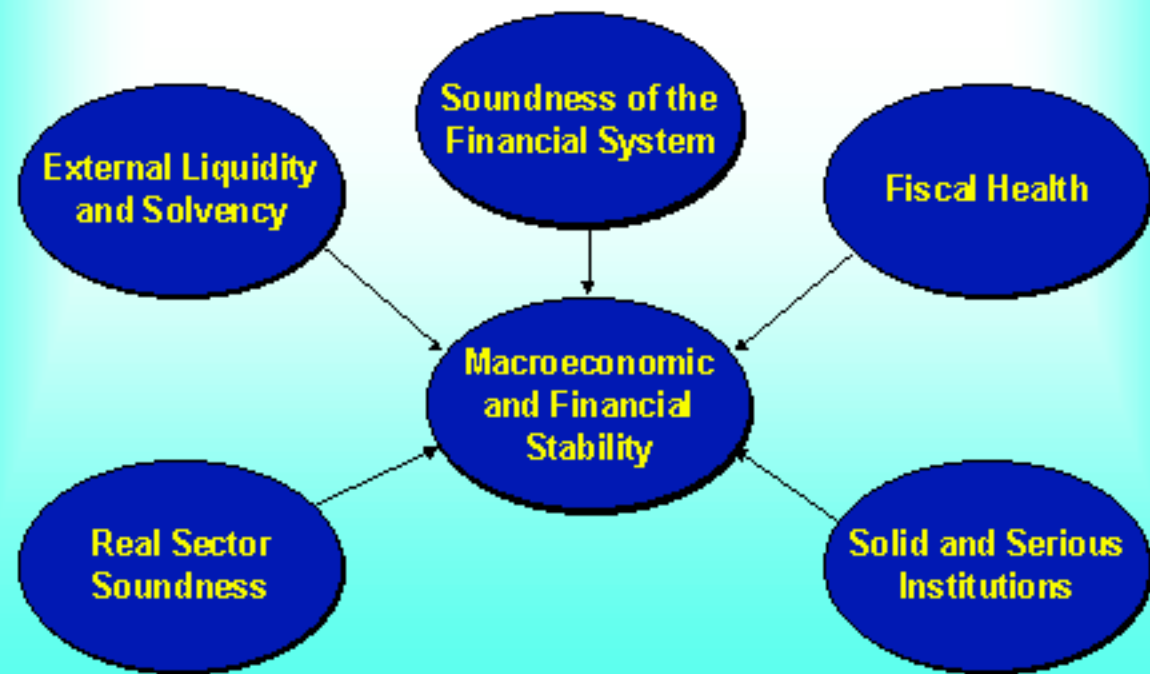


Table 1. Macroeconomic Projections for 1998-1999

	1990-97	1997	Projected	
			1998	1999*
1. Inflation (%)	12,6	6,0	± 4,5	± 4,3
2. Real GDP Growth Rate (%)	7,7	7,1	5,0	(3,8)
3. Current Acc. Balance (US\$M)	-1.860	-4.057	-5.150	(-4.500)
4. Gross Fixed Cap. Formation	27,6	33,0	33,6	(33,2)
(% of GDP, constant prices)				
5. Gross Domestic Savings	21,9	21,4	20,8	(21,2)
(% of GDP, current prices)				

MEMORANDUM

Exports Volume Growth (%)	9,8	10,8	7,3	10,5
Copper Price	107,7	103,3	76,4	75,0

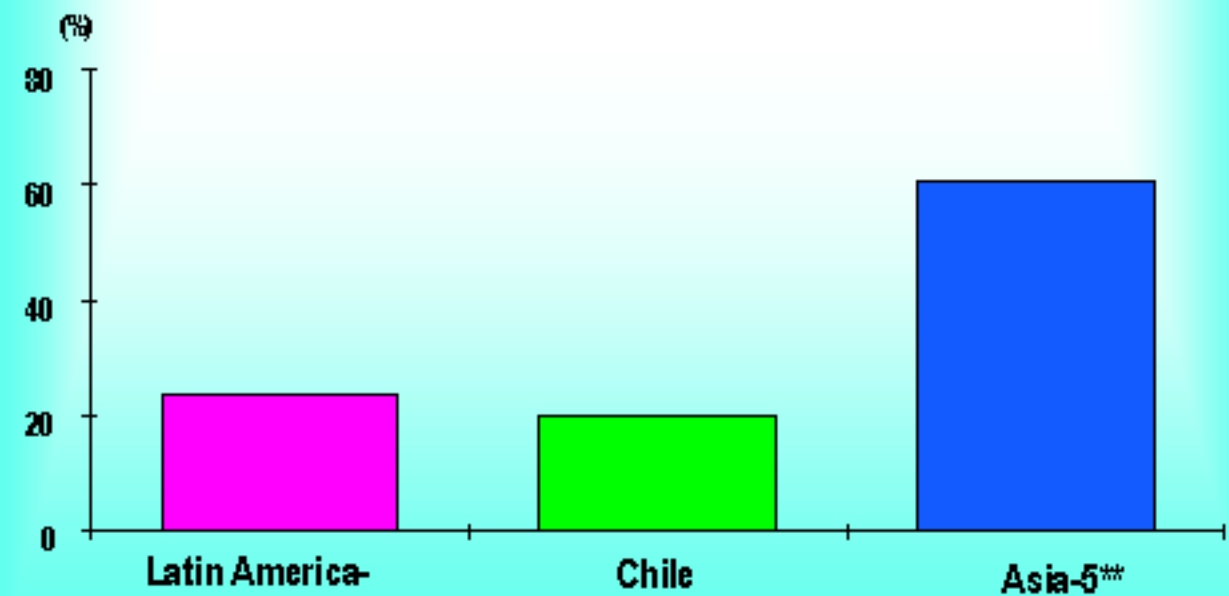
*/ This estimation was performed before the fiscal information of sept. 25 and before updating the IMF world economy projections. The figures between brackets are in a revision process

Source: Banco Central de Chile

**External Liquidity
and Solvency**

Figure 3. External Debt Net of International Reserves as % of GDP

(1998 estimated)



* / Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

** / Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan

Figure 4. Chile: Current Account Deficit as % of GDP

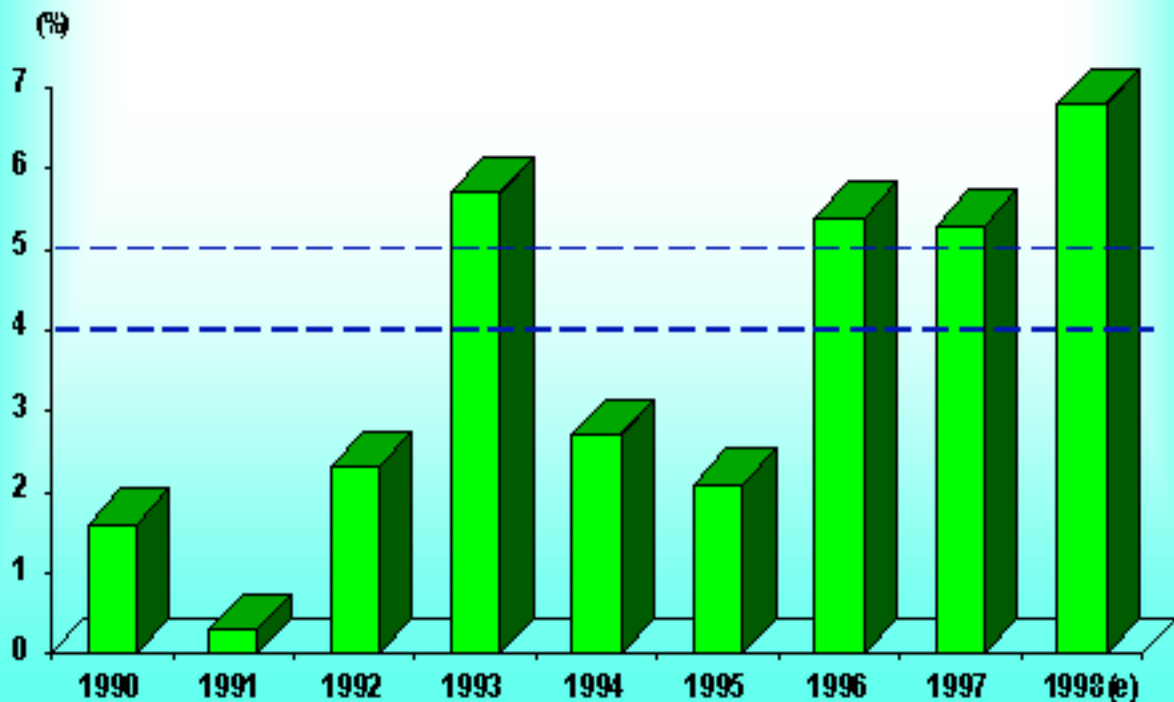
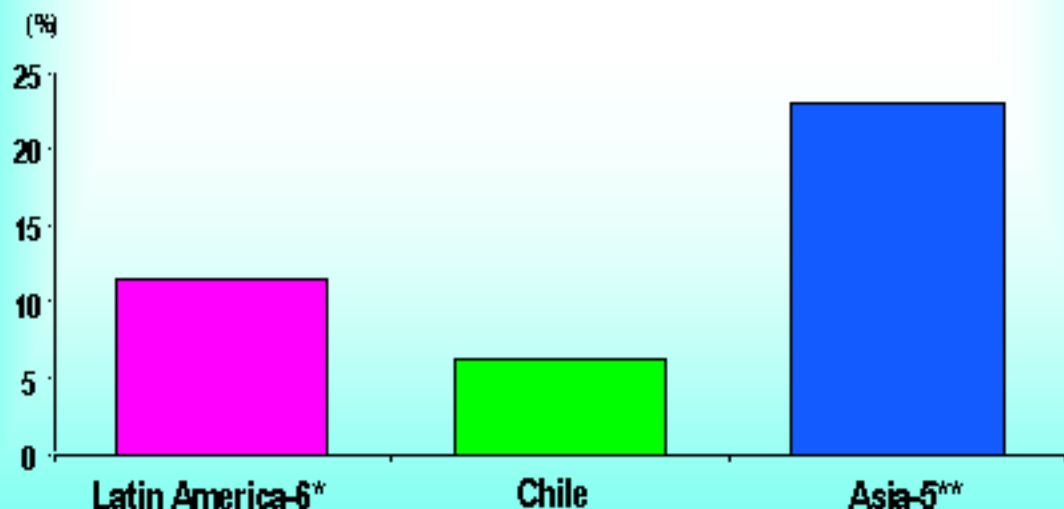


Figure 5. External Debt Service* as % of GDP

(1998 estimated)



*/ Correspond to interest payments plus short term maturities and amortization of medium and long term loans.

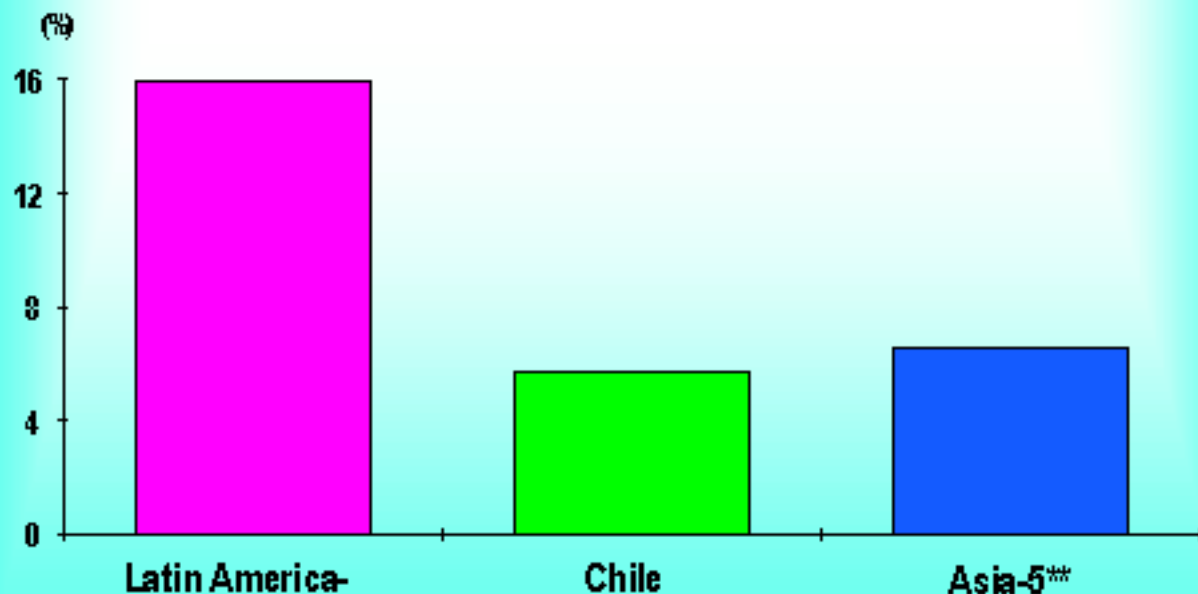
*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan

Figure 6. Interest Payments as % of Exports

(1998 estimated)



6*

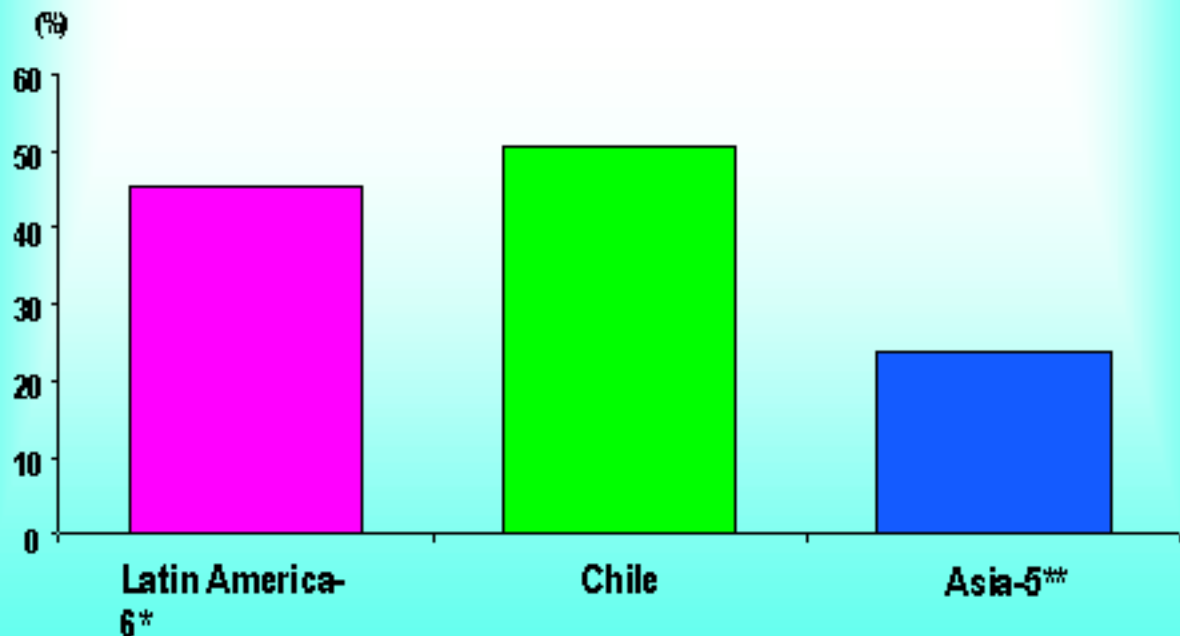
*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan

Figure 7. International Reserves as % of M2

(july 1998)



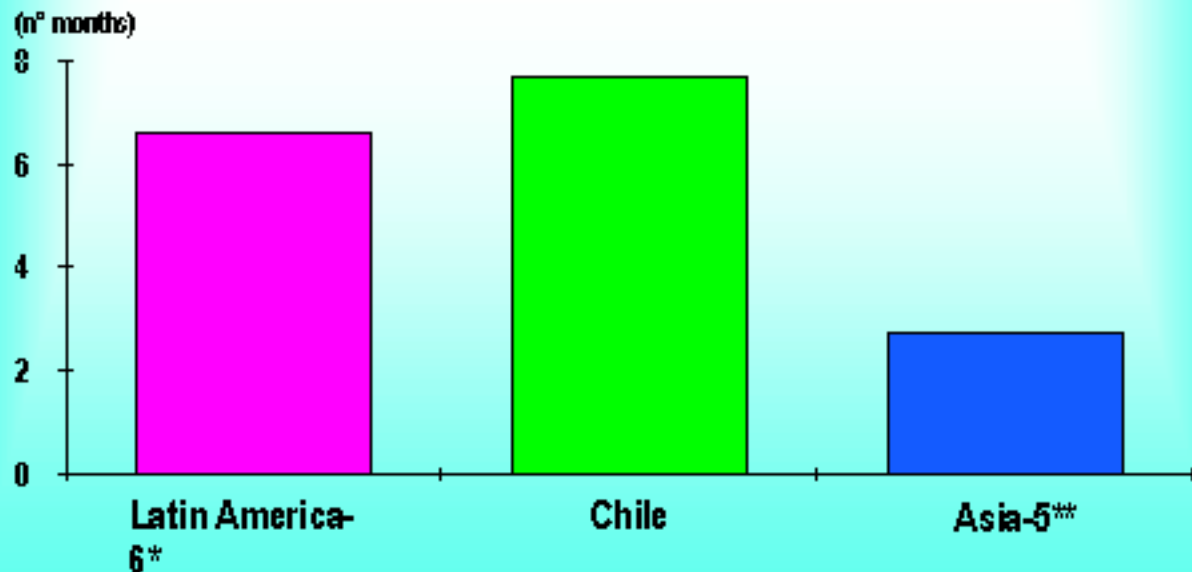
*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan

Figure 8. Number of Months of Imports covered by International Reserves

(june 1998)



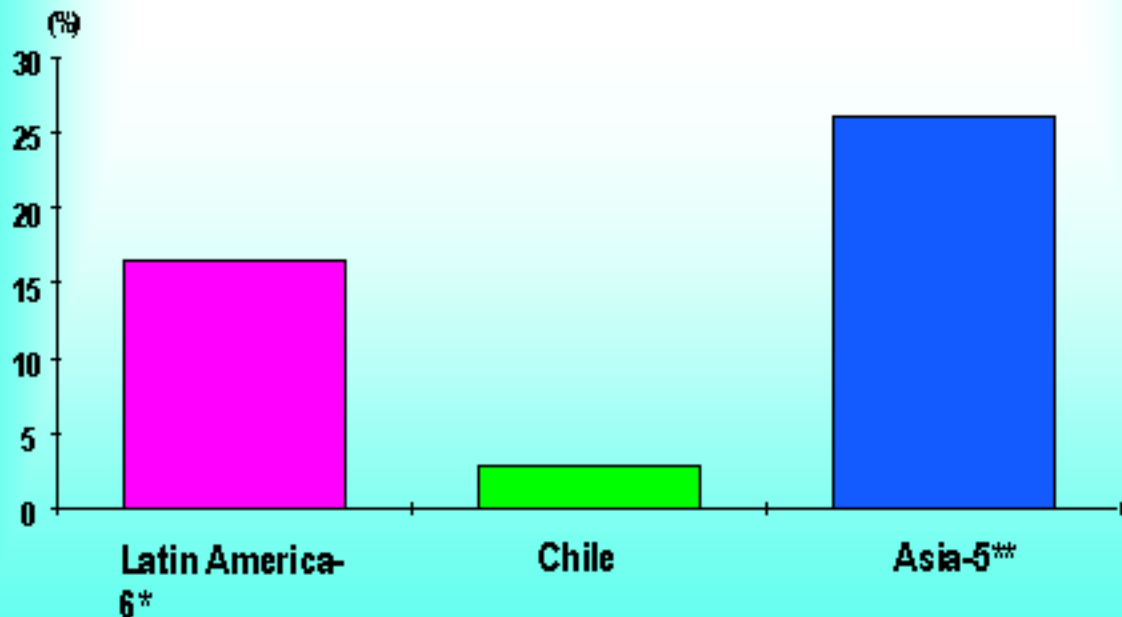
*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan

Figure 9. Short Term External Debt as % of Total External Debt

(1998 estimated)

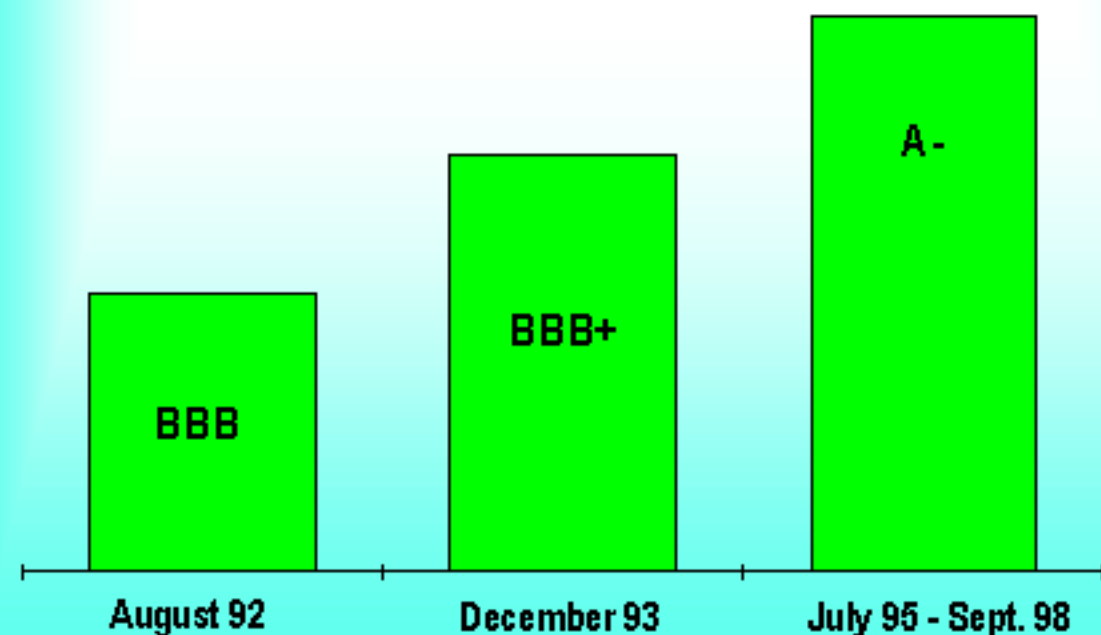


*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan

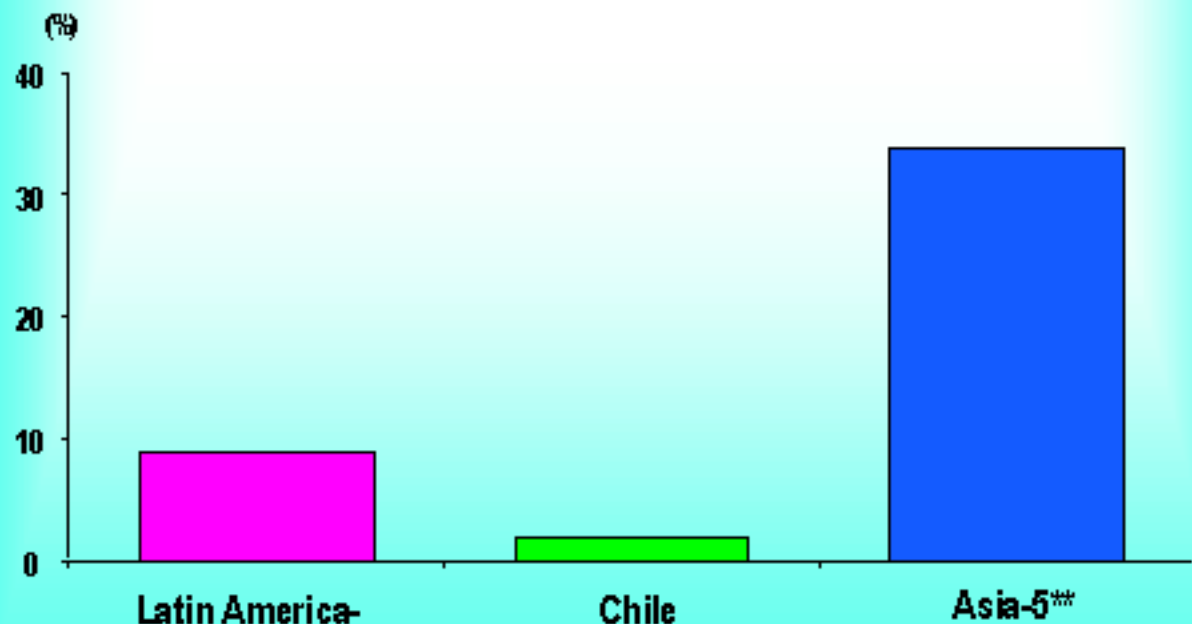
Figure 10. S&P: Chile Long Term Debt Rating



**Soundness of
the Financial
System**

Figure 11. Nonperforming Loans as % of Total Loans

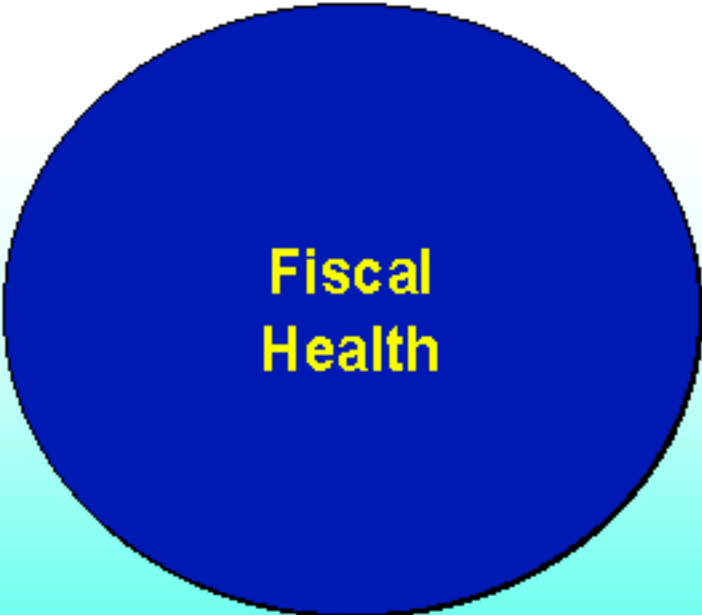
(1998 estimated)



*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-4 includes Malaysia, Thailand, South Korea and Indonesia

Source: For Latin America Santander Investment, for Asia J.P. Morgan



**Fiscal
Health**

**Figure 12. Chile: Central Government
Surplus as % of GDP**

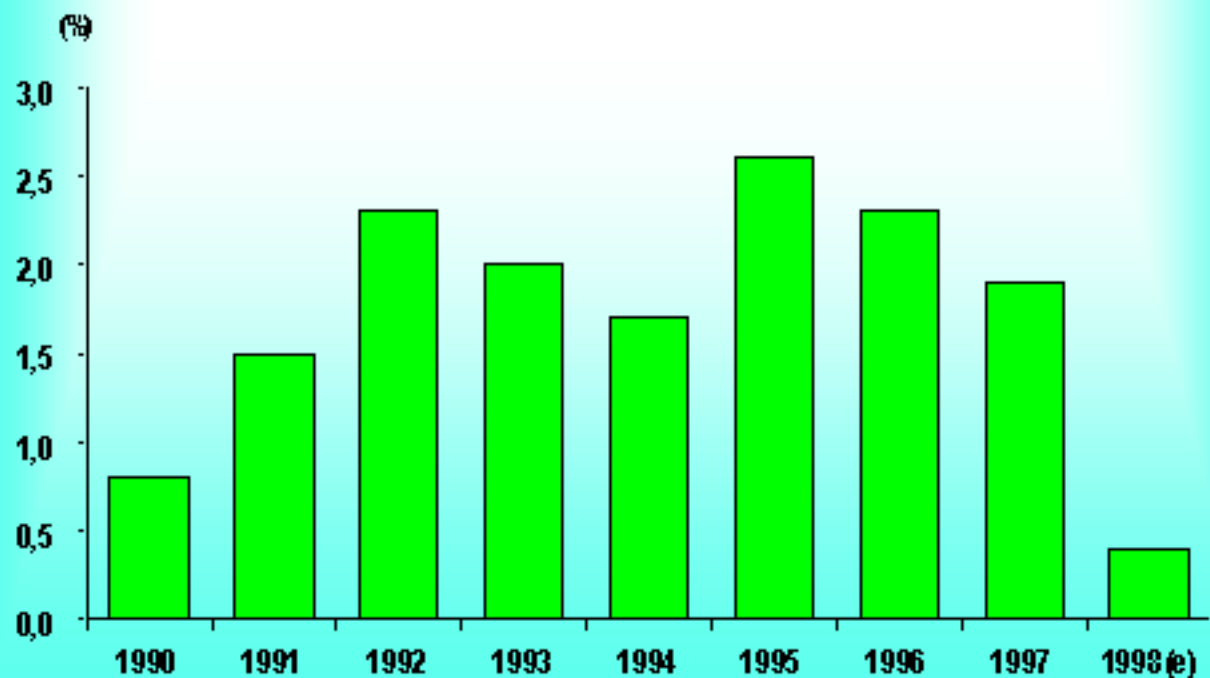
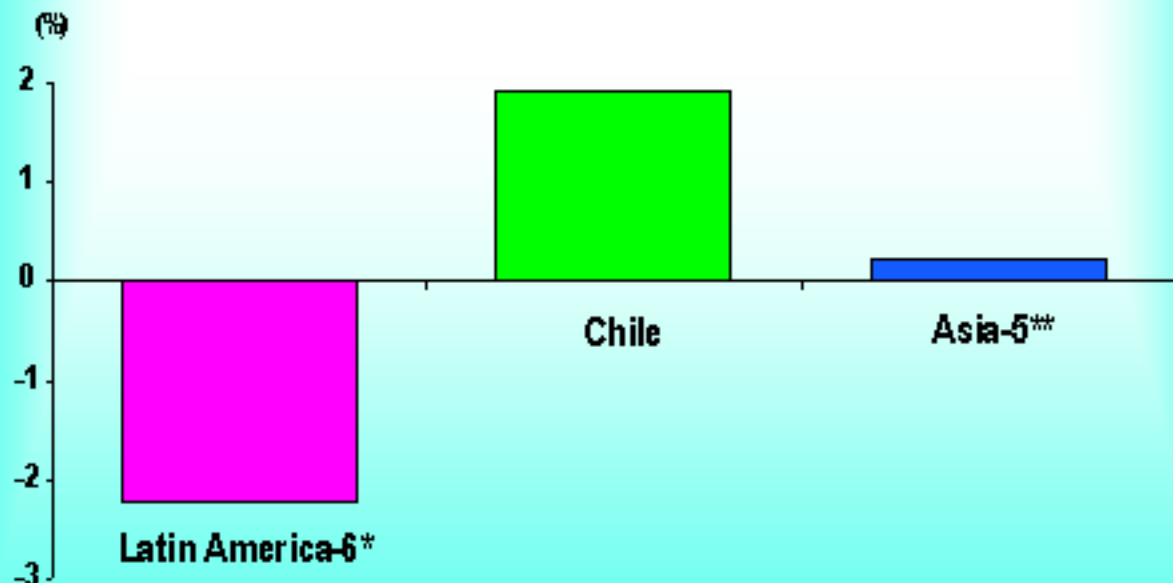


Figure 13. Fiscal Surplus as % of GDP

(1997)



*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

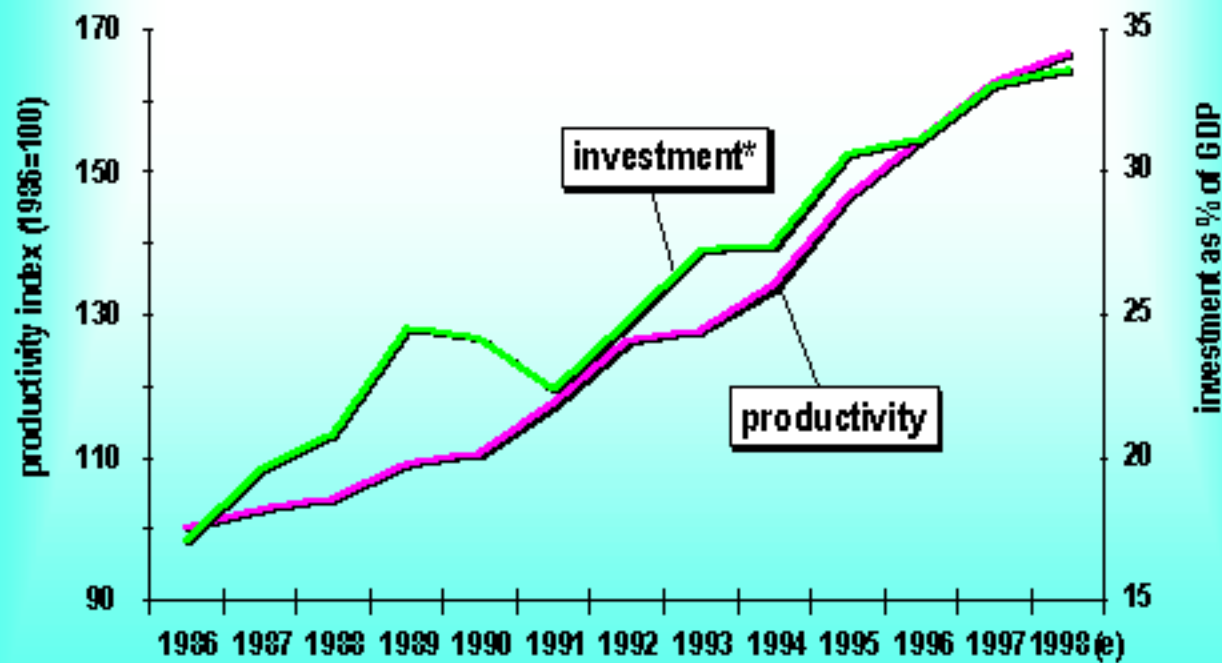
**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: J.P. Morgan



**Real Sector
Soundness**

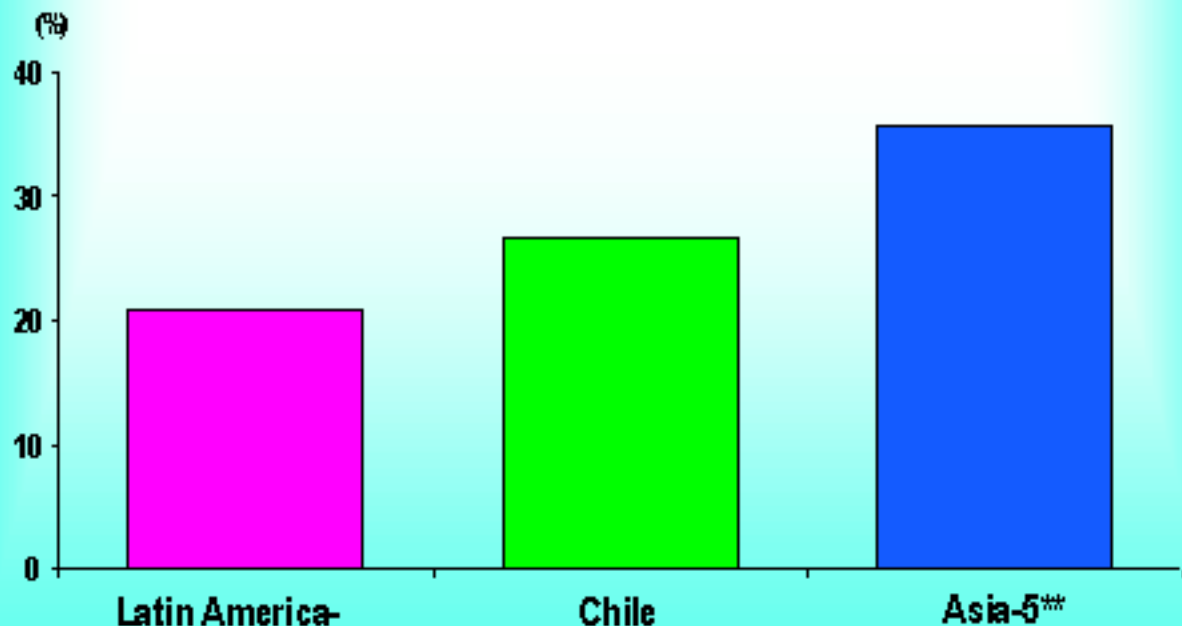
Figure 14. Chile: Investment and Productivity



*/ Correspond to Gross Fixed Capital Formation in constant prices

Figure 15. Investment as % of Nominal GDP

(for Latin America and Asia 1996; for Chile 1997)



*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: IMF Statistics

Figure 16. Chile Employment: Education Ajusted Employment

(five years average, index 1965 = 100)

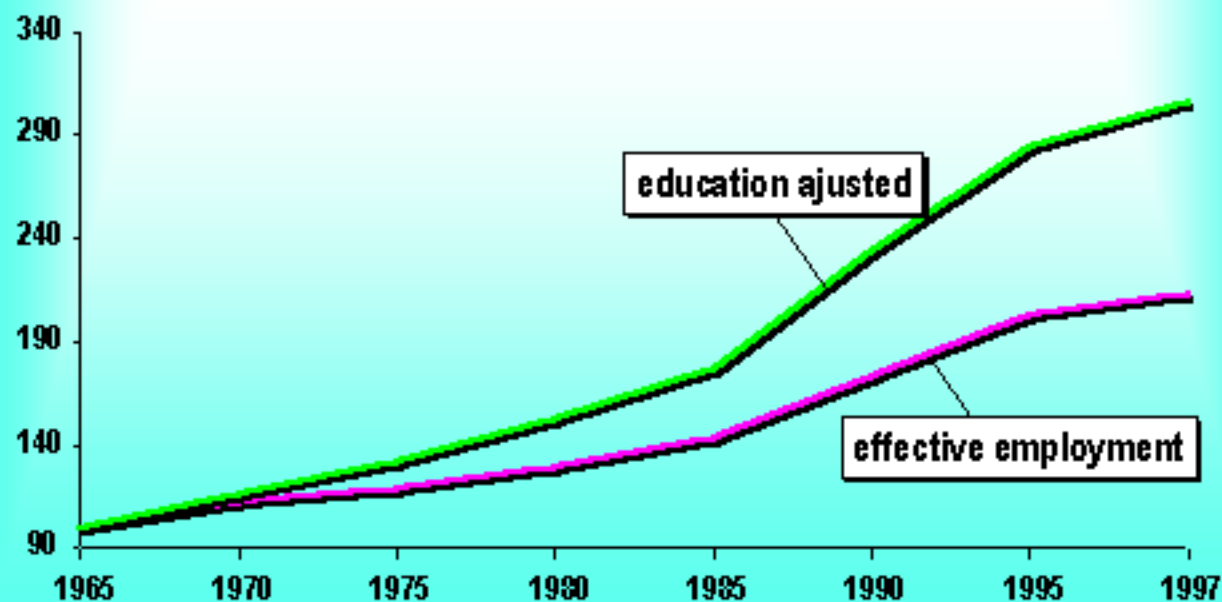
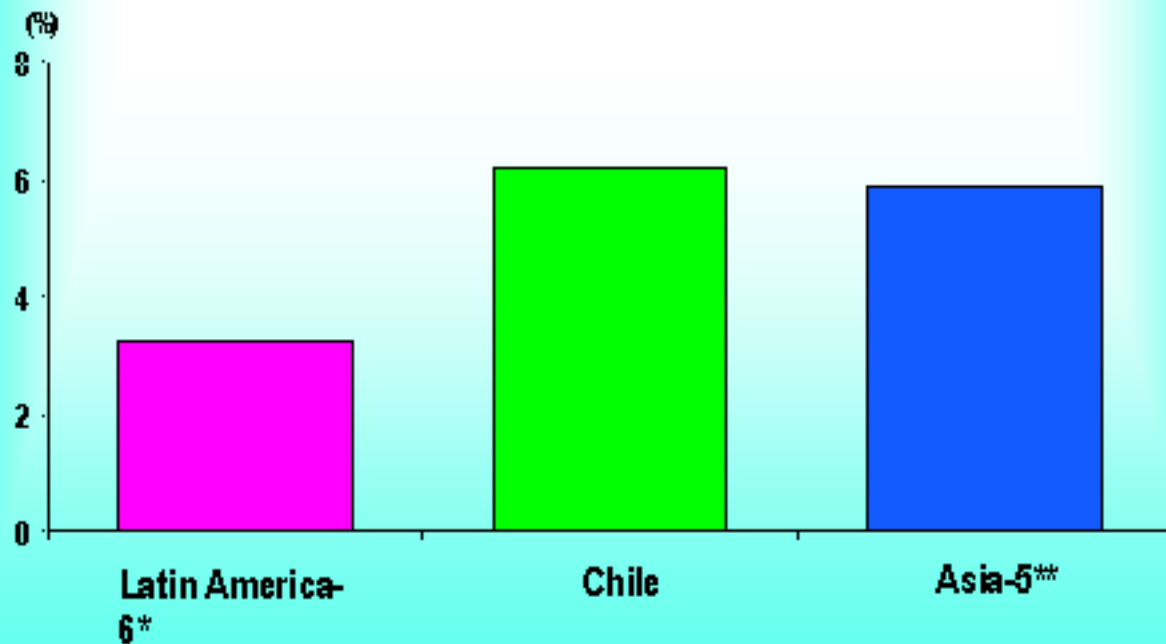


Figure 17. Productivity Growth

(average 1994-1997)



*/ Latin America-4 includes Argentina, Brazil, Mexico and Venezuela

**/ Asia-4 includes Malaysia, Philippines, Thailand and South Korea

Source: IMF Statistics

Table 2. Competitiveness Ranking

	Ranking Position 1998
Chile	26
Asia-5**	33
Latin America-6*	37

*/ Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

**/ Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: Institute for Management Development

Table 3. Export Shipments

	Volume growth (%), january-july 1998/97			
	Total	Copper	Non Copper	Non Trads.
Asia	-7,9%	-4,4%	-12,4%	-2,7%
Rest of the World	15,4%	33,7%	6,4%	11,6%
Total World	7,3%	14,5%	2,2%	9,9%



**Solid and Serious
Institutions**

Table 4. Corruption Perceptions Ranking

	<u>Ranking Position 1998</u>
Chile	20
Asia-5**	54
Latin America-6*	60

* / Latin America-6 includes Argentina, Brazil, Mexico, Venezuela, Colombia and Peru

** / Asia-5 includes Malaysia, Philippines, Thailand, South Korea and Indonesia

Source: Transparency International

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